

2009 – 2010 School Year
District Budget Presentation

June 22, 2009

Michigan Public School Finance Basics

What You or May Not Know About Proposal A and School Finance



1. Districts are funded based on blended General Education student enrollment.
2. The state establishes the state aid per pupil, but often not until very late in a budget year – and even then it is subject to mid-year reductions.
3. A majority of funding comes from the state (65% in GPPS' case). The state's primary revenue source for school funding is sales tax – NOT property taxes.
4. Some districts can levy additional school taxes, but no other taxes are allowed. The Hold Harmless millage represents 21.8% of GPPS per pupil funding.
5. 80% of school districts in Michigan are experiencing declining enrollment. As enrollment declines, so does revenue and Hold Harmless millage rates.
6. School districts are responsible for their own employees health care costs.
7. The state dictates and controls the retiree pension and health care system (MPERS), funded mainly by local districts as a percentage of salaries. The MPERS system is significantly underfunded and rates are expected to rise.
8. Almost everyone agrees the system needs reform, yet Lansing has done little.



Elements of the Crisis

Key contributors to the public school financing challenge facing school districts in the state of Michigan.

- Revenue declines as enrollment declines.
- Compensation systems are based on longevity and advanced coursework. Regardless of raises provided in contract renewals, salaries still rise.
- MPERS rates increase and have a compounding impact in relation to increasing salary costs.
- Retirements are not offsetting longevity salary increases.
- Health care costs continue to rise.
- State funding is not keeping pace with these cost increases and have downward variability.
- With rare exception, district employees are represented by bargaining units with traditionally multi-year contracts.

Benchmarking Tax Rates

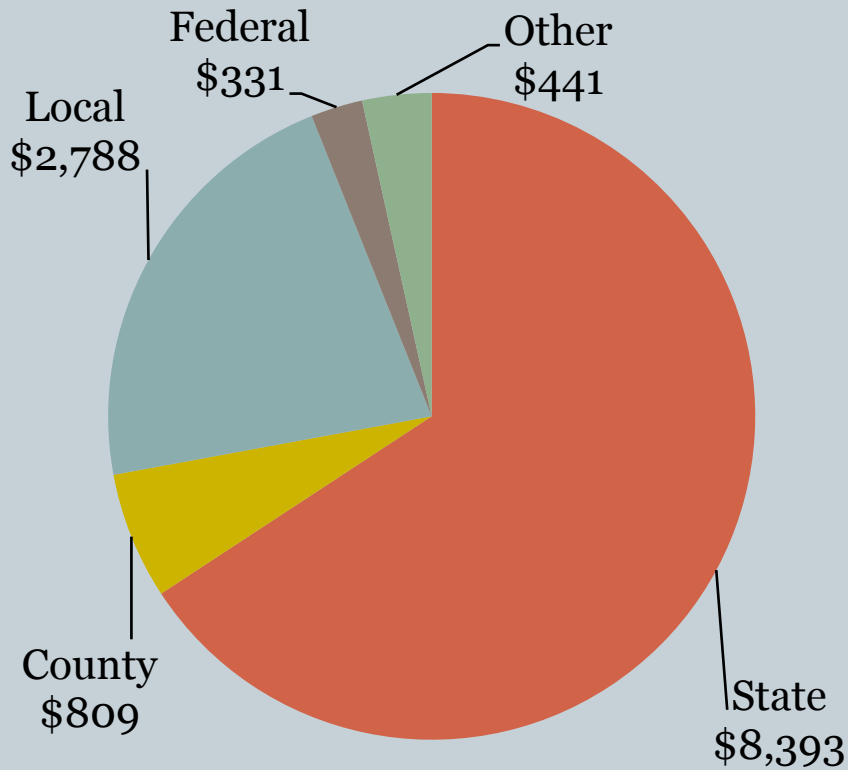
All Homestead Taxes Among Similar Districts (Fiscal Year 2008-9)



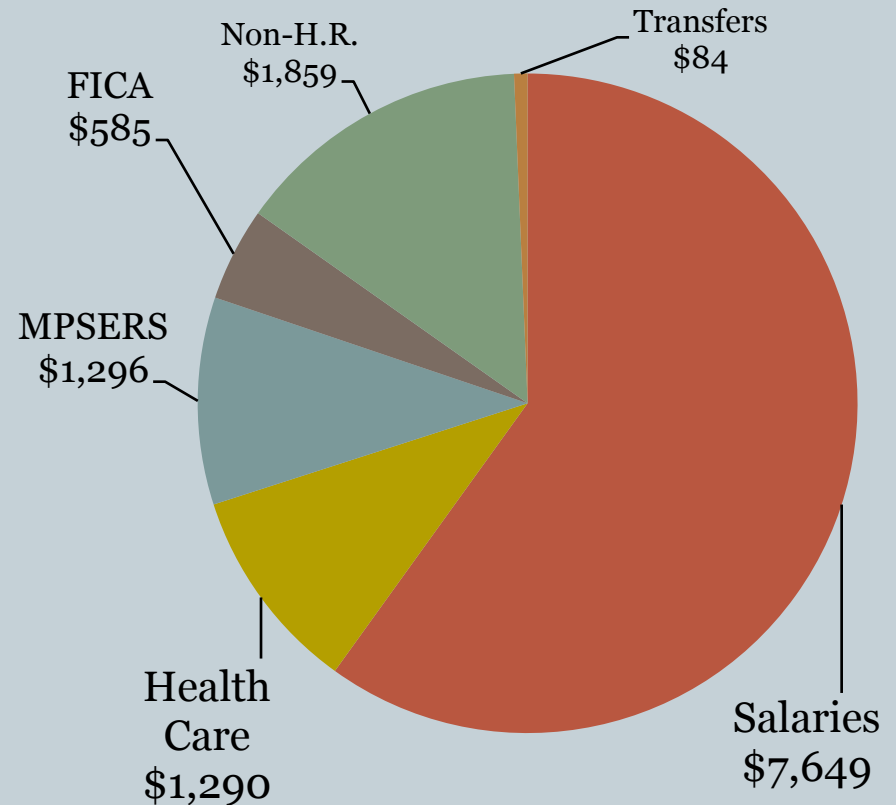
	State Mandated	Hold Harmless	Sinking Fund	Debt Retirement	Total Homestead Mills
BIRMINGHAM CITY SCHOOLS	6.00	8.16	0.0	3.00	17.1601
FARMINGTON PUBLIC SCHOOLS	6.00	8.38	0.0	1.80	16.1784
WEST BLOOMFIELD SCHOOLS	6.00	3.37	0.0	6.20	15.5717
TROY PUBLIC SCHOOL DISTRICT	6.00	5.29	0.0	4.13	15.4156
BLOOMFIELD HILLS SCHOOLS	6.00	7.11	1.48	0.67	15.2654
EAST GRAND RAPIDS SCHOOLS	6.00	0.0	0.49	7.95	14.4426
GROSSE POINTE PUBLIC SCHOOLS	6.00	5.84	0.97	1.25	14.0661
ANN ARBOR PUBLIC SCHOOLS	6.00	4.72	0.99	2.28	13.9865
CHIPPEWA VALLEY SCHOOLS	6.00	0.0	0.0	7.65	13.6500
GROSSE ILE SCHOOLS	6.00	1.92	1.00	4.50	13.4208
HARPER WOODS SCHOOLS	6.00	0.0	0.0	7.40	13.4000
FOREST HILLS PUBLIC SCHOOLS	6.00	0.0	0.0	6.30	12.3000
ROCHESTER SCHOOL DISTRICT	6.00	0.0	0.0	5.18	11.1800
NORTHVILLE PUBLIC SCHOOLS	6.00	0.0	0.0	4.24	10.2400
PLYMOUTH CANTON SCHOOLS	6.00	0.0	0.0	3.15	9.1500

2009-10 Budget Represented on Per Pupil Basis

Revenue Sources per Pupil, \$12,762



Expenditures per Pupil, \$12,762

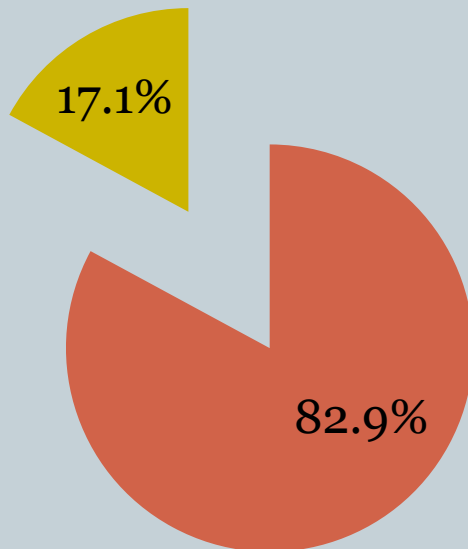


Human Resources versus Other Expenses

A Year over Year Comparison

2008-2009 Budget

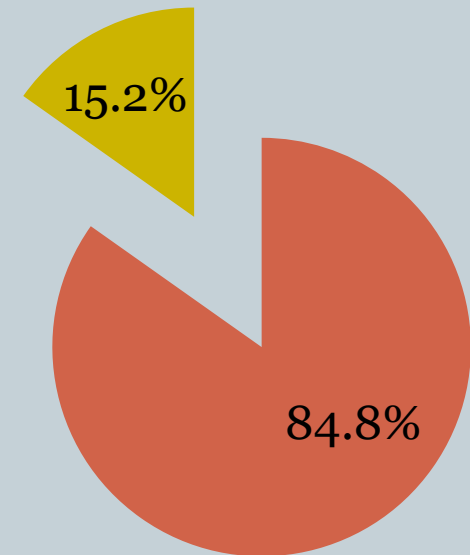
■ H.R. Expenses ■ Non H.R. Expenses



961 Employees 8,359 Students

2009-2010 Budget

■ H.R. Expenses ■ Non H.R. Expenses



908 Employees 8,171 Students

Number of Employees

Year over Year Comparison of Full Time Equivalent Staff Levels



■ 2008-9

■ 2009-10

961 Employees

908 Employees



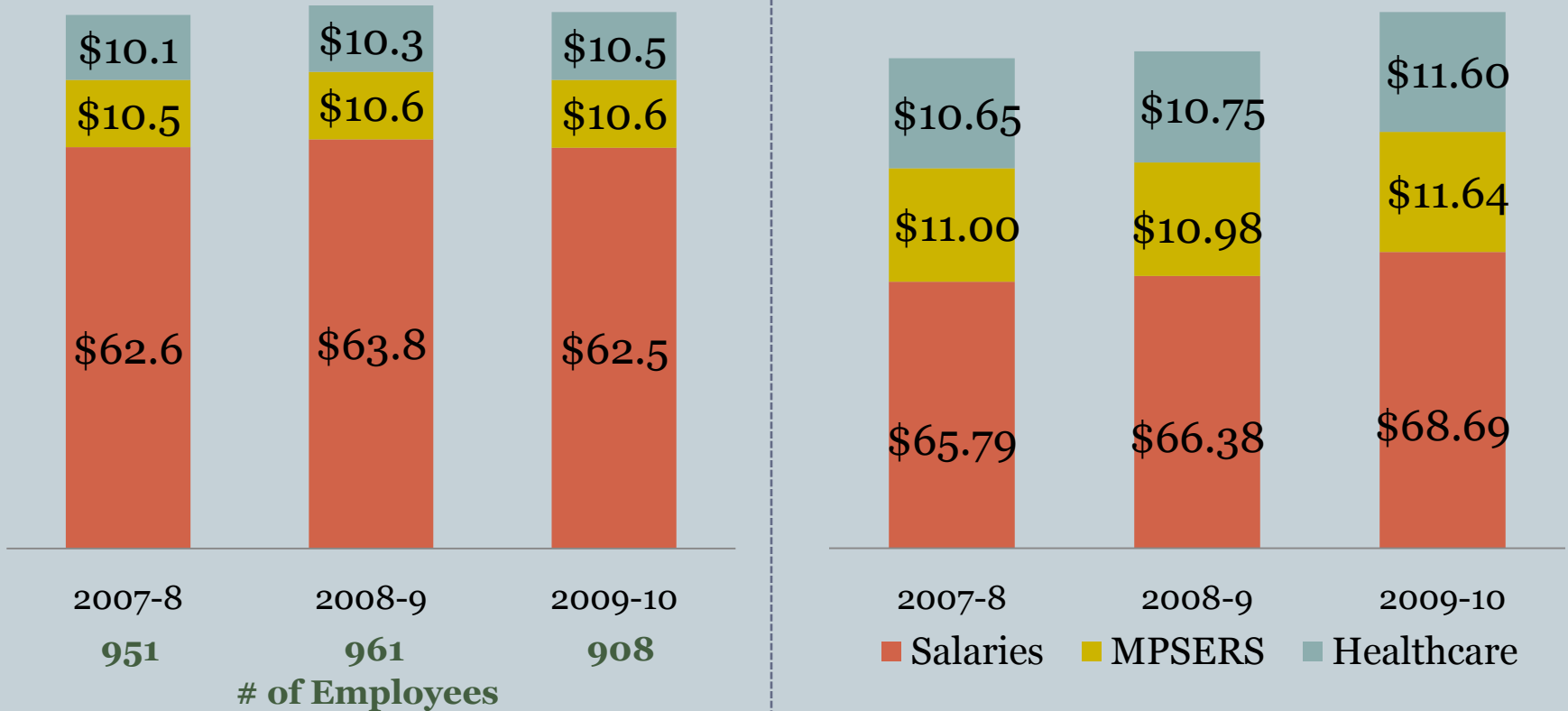
Buying Human Resources as a MI Public School

How the Same Dollar Amount Yields Less over Time



Total Salary, MPSERS and Healthcare Costs (in millions)

Compensation Per Employee (in thousands)



Impact of Rising Total Compensation Costs

Combining Salary, MPSEERS, and Health Care Costs Per Employee



Average Total Compensation *(per Employee by Bargaining Unit and Year)*

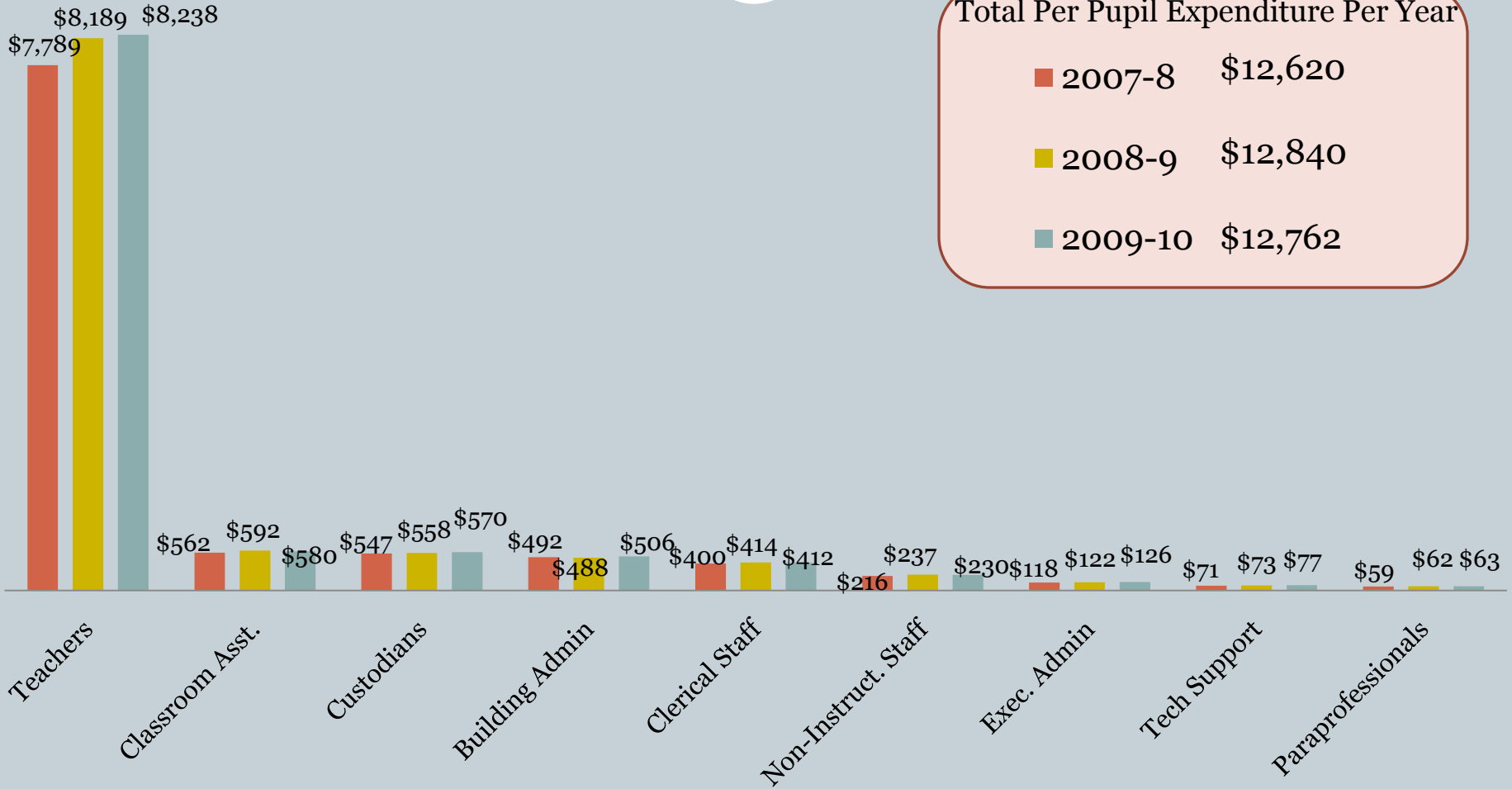
Year	Teachers	Classroom Assist.	Custodians	Clerical	Building Admin.	Parapro's	NIS Staff	Executive Admin	Tech Support
2007-8	\$110,989	\$32,692	\$62,659	\$57,794	\$162,470	\$42,477	\$114,825	\$202,378	\$86,759
2008-9	113,405	32,363	61,343	56,775	163,128	43,592	105,176	204,095	87,096
2009-10	118,905	33,488	61,322	58,124	165,308	44,225	104,856	205,271	90,159

Full Time Equivalent Employees *(by Bargaining Unit and Year)*

Year	Teachers	Classroom Assist.	Custodians	Clerical	Building Admin.	Parapro's	NIS Staff	Executive Admin	Tech Support	Total
2007-8	602.8	147.6	75.0	59.4	26.0	11.9	16.2	5.0	7.0	950.9
2008-9	603.7	153.0	76.0	61.0	25.0	11.9	18.8	5.0	7.0	961.4
2009-10	566.2	141.6	76.0	57.9	25.0	11.7	17.9	5.0	7.0	908.3

H.R. Funding Allocation

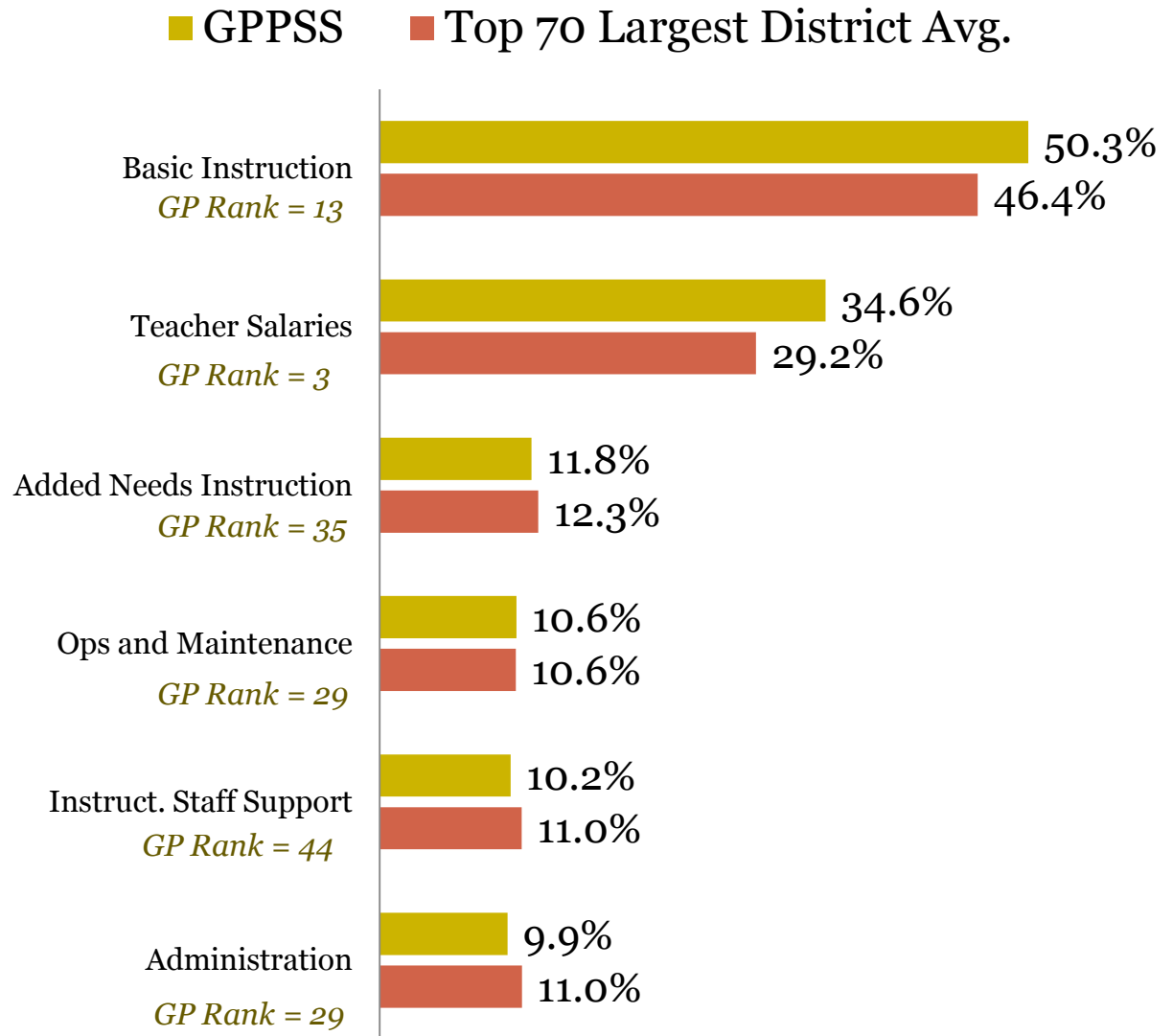
A Three Year View – Per Pupil Expenditure by HR Category





Benchmarking Allocation Options

School districts have common expense areas. How each chooses to fund those areas varies. This chart compares GPPS to the 70 largest districts in the state (GP is the 30th largest.) The percentages reflect the portion of total expenditures allocated to each area. GP's rank among the 70 is noted as well.



Looking Forward



1. This is likely to get worse before it gets better. We will need to make tough choices in the context of available options.
2. We must endeavor to engage in constructive, solution oriented dialog as we make choices.
3. The long-term solution ultimately lies in Lansing, until then we must cope with the problem locally.

